

ANNUAL REPORT SUMMARY

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NORVESTIA

N O R V E S T I A P L C



## *Norvestia in brief*

- Norvestia is an investment company whose B share has been quoted on Helsinki Exchanges since 1985.
- Norvestia's activities are targeted at long-term investors.
- Norvestia's aim is to provide its shareholders with favourable appreciation in the long term, combined with a good dividend.
- Norvestia invests primarily in listed and non-listed stocks of Nordic companies.
- Norvestia acquired 23.8% of the capital of Neomarkka plc and 47.0% of the votes in 1998.

## *Norvestia in 1998*

### in FIM

- Net asset value per share before deferred taxes due FIM 114.64 (FIM 112.90 the previous year)
- Net asset value per share after deferred taxes due FIM 107.72 (FIM 105.19)
- Dividend payment FIM 6 per share (FIM 6 per share)
- Net asset value per share (adjusted for dividend) increased by 8.1% (10.6%) during the period under review
- Net asset value (adjusted for dividend) increased by FIM 43.6 million (FIM 63.4 million) during the period under review

### in EUR

- Net asset value per share before deferred taxes due EUR 19.28 (EUR 18.99 the previous year)
- Net asset value per share after deferred taxes due EUR 18.12 (EUR 17.69)
- Dividend payment EUR 1.01 per share (EUR 1.01 per share)
- Net asset value per share (adjusted for dividend) increased by EUR 7.3 million (EUR 10.7 million) during the period under review

# *Review by the Managing Director*

1998 was a year of expansion for Norvestia's investment activity. The company expanded into non-listed securities and acquired a substantial holding in the Neomarkka plc (former Metsämarkka), which is quoted on Helsinki Exchanges' I list.

## **NEW NON-LISTED INVESTMENTS**

In asset management, Norvestia seeks investments that will produce added value for its owners. As non-listed equities are not readily available to the private investor, Norvestia can therefore serve as a channel for them.

Over the last year the company has sought interesting investments that are not quoted on exchange. Such shares are frequently less expensive than listed ones. The value of the investment rises to the level of a quoted share only when the company is listed on the public market. Hence, the right choices constitute a very interesting alternative.

In 1998 Norvestia concentrated on two types of non-listed investments: local telephone companies in Finland and IT companies seeking to list their shares. There are more than 40 local telephone companies in Finland; only three have gone public, but the other companies are transforming their ownership and corporate structures. Together with its affiliate Neomarkka, Norvestia is involved in this process. During 1998 Norvestia invested in Tampereen Puhelin Oyj, Oulun Puhelin Oy and Kuopion Puhelinosuuskunta. In the IT sector, Norvestia was active in charting other new investments. During 1998, investments were made in PC-Superstore Oy and in Technopolis Oulu Oyj.

## **NORVESTIA BECOMES THE PRINCIPAL SHAREHOLDER IN NEOMARKKA PLC**

In autumn 1998, Norvestia acquired a significant holding in Metsämarkka Oyj, which is quoted on the Helsinki Exchanges' I list. The company was renamed Neomarkka plc. Norvestia invested approximately FIM 80 million in Neomarkka and held some 47% of the votes and 24% of its share capital. The focus of the company's operations was shifted from the forest industry towards infrastructure sectors, for example telephone and power companies. Non-listed equities are priced indirectly through public quotation of the Neomarkka B share.

Neomarkka is able to channel significant amounts of capital into infrastructure sectors which are expected to gain significant value at relatively low risk. Neomarkka's new strategy makes it a unique Nordic investment company.

## **NOKIA VITAL TO THE STOCK EXCHANGE**

The price trend on exchange was uneven in 1998. The HEX index rose 68.5% during the year. Nokia's contribution to the index rose to 48.9% at year end and accounted for virtually the entire increase. Without Nokia, share prices on Helsinki Exchanges would have in fact declined slightly. The shares of only 5 com-

panies on the main list rose more than the index and those of 75 companies lagged behind. The HEX portfolio index, in which Nokia's influence is limited to 10%, rose by 15% during the year. In fact, this index has been a better indicator of the overall trend in the Finnish equity market during the last few years.

The stock exchanges in the other Nordic countries did not fare as well as Helsinki Exchanges during the year. The A.B. Nordic Index rose 17.9% and the Carnegie Small Cap Index, which comprises the shares of small Nordic companies, declined by 12.4%. The general index for Stockholm Stock Exchange rose 10.2%. No company on any of the other Nordic stock exchanges was equal in significance to Nokia in Finland.

## **NORVESTIA'S EXCHANGE INVESTMENTS**

The overall trend in share prices fluctuated widely during the year. Growth was strong during the first half of the year. A sharp drop followed in summer and again in the early autumn, largely in response to concerns about economic growth, the spreading crisis in Asia and weak corporate performance expectations. The value of several blue chip companies declined by more than 50% from the peak figures during the plunge in the early autumn. Since the autumn of 1997, Norvestia has expressed concern about the high price level on equity markets in its economic reviews. When the prices of certain blue chip shares fell rapidly in the autumn of 1998, Norvestia intervened by investing some FIM 100 million in them. In choosing the companies, Norvestia stressed their market value and capacity to pay dividends. The prices of the companies selected had fallen to a level last seen in the early 1990s. The new position brought a yield of some 11% in three months, by the end of February 1999. At the same time Norvestia reduced its holdings in small and medium-sized companies. The liquidity of such companies was decreasing and Norvestia felt that larger companies would offer better yield potential at year end.

Norvestia also invested outside the Nordic countries in early 1998. It focused on those countries in Southeast Asia where currencies and share prices had fallen overall by more than 60% from the peak levels the previous year. Norvestia invested some FIM 50 million on exchanges in six regions. Norvestia based its investment decision on the belief that an upturn in the currencies and stock exchanges of these countries would precede economic recovery. An upturn in the financial markets was expected within the next few years. Nevertheless, the downturn on the financial markets continued from spring to early autumn. Since then the trend has been good and the investments have already almost reached the acquisition price level.

The Zenit fund, managed by Brummer & Partners Kapitalförvaltning AB, performed well during the year. Norvestia's investment was FIM 19.8 million and the rise in value during the year was 72.8%. The investment fund was one of the best in the Nordic countries during 1998.



#### **NET ASSET VALUE AND SHARES**

Norvestia's net asset value increased at a reasonable rate, but did not match the rise in the Nokia-driven equity market. The HEX portfolio index rose by 15.0% during the year. Norvestia's share of the equities in the portfolio was relatively low. Taking dividend into account, Norvestia's net assets generated a yield of 8.1% during the year. Hence, the trend for the year matched that of the portfolio index, taking the risk level into account. The difference between the price of a Norvestia B share and the net asset value increased during 1998. A significant part of the price difference is attributable to the sharp decline in the equity market. The price of the share at year end was 26.7% below net asset value per share. A decline in net asset value on this scale is not desirable and the goal is to reduce the decline in net asset value through effective investment. Measured by dividend yield, Norvestia is one of the best funds on Helsinki Exchanges. The effective dividend yield at the beginning of 1998 was 6.4%.

#### **GOALS FOR 1999**

Norvestia's primary goal is a good return on its shareholders' investment at reasonable risk. During 1998, the company's risk level was lower than the equity market average. Its net asset value rose steadily over the year.

Introduction of the euro has increased interest in the Finnish equity market during early 1999. Nordic company acquisitions have increased in various sectors and the trend is expected to continue. Interest has concentrated on technology and telecommunications and related service and production companies. Other sectors have not fared so well.

During 1999, Norvestia will continue to invest in non-listed companies, according to its chosen strategy. Investment in listed equities will also become an important element of operations, though the company takes a cautious view of share price trends.

Timo Löyttyniemi

# *Investment strategy and yield*

## INVESTMENT STRATEGY

Norvestia's long-term objective is to secure a favourable price trend for its shares, combined with a good dividend. The company is also seeking to maintain a good equity ratio.

The overall aim of investment activity is to ensure a yield in excess of the comparative index for the public equity market at a reasonable risk. The yield on shares on Helsinki Exchanges has historically been some 6% above the long-term interest rate. At present level of interest rates, this means an average index yield of 12-15%. Norvestia's objective is to achieve and surpass this yield requirement.

- Norvestia invests mainly in listed and non-listed shares in Nordic companies.

- It may also invest to some extent in listed and stock-related non-Nordic instruments, mainly in major funds and companies.

- Equity investments are compared in relation to the yields on interest instruments, which means that Norvestia will not always invest its entire investment portfolio in shares.

- Operations conforming to Group policy may be conducted by the parent company or subsidiaries.

## YIELD

The table below presents the yield on the company's net asset value and B share. The index changes on Helsinki Exchanges are shown in the table below.

	Yield on net asset value, %	Yield on a B share, %	Yield on Helsinki Exchanges, %
1986	67,9	21,9	64,7
1987	25,5	42,1	30,7
1988	28,0	16,9	39,3
1989	-9,6	-7,0	-16,2
1990	-32,8	-35,7	-34,8
1991	-2,7	-8,0	-19,8
1992	29,9	35,7	8,0
1993	82,5	138,7	92,9
1994	5,0	-24,0	17,7
1995	3,4	-3,2	-6,3
1996	23,0	42,2	50,8
1997	15,5	27,4	31,4
1998	6,9	-9,6	17,1

The yield on net asset value (before the deferred tax liability) was calculated as the ratio of the combined net assets at year end and the dividends paid during the previous year to net asset value at the previous year end. The yield on a B share was calculated as the ratio of the combined price of a B share at year end and the dividend paid to the share price at year end. The yield on net asset value is calculated before reduction of the deferred tax liability on the excess value. The HEX all-share index was used for 1986-1990, the HEX yield index for 1991-1996 and the HEX portfolio index for 1997-1998.

In 1998, the company's net asset value rose by 10.4% before taxes, by 6.9% before the deferred tax liability and by 8.1% after the deferred tax liability. Dividends paid by the company are taken into account. The company calculates net asset value both before the deferred tax liability and after the deferred tax liability allocated to market values exceeding book value.

At the end of 1998, the company's share price was some 27% below its net asset value (after the deferred tax liability). The difference on the previous year was some 11%.

## Shares and other assets

	Number of shares	Book value, FIM 1 000	Market value*, FIM 1 000	% of market value
<b>FIXED ASSETS</b>				
Neomarkka Oyj		83,554	83,554	12.8 %
Other fixed assets		574	574	0.1 %
		84,128	84,128	12.9 %
<b>CURRENT ASSETS</b>				
<b>MAJOR LISTED COMPANIES</b>				
Metra Corp. B	130,000	11,313	11,440	1.8 %
Partek Corp.	189,600	8,816	8,816	1.3 %
Huhtamäki Oyj I	63,900	10,816	12,397	1.9 %
Valmet Corp. A	146,000	8,716	9,928	1.5 %
Outokumpu Oyj A	248,000	11,041	11,606	1.8 %
Nokia Oyj K	146,000	1,785	90,520	13.9 %
Kemira Oyj	400,000	14,264	14,600	2.2 %
Rauma Corp.	250,000	13,985	18,500	2.8 %
Cultor Oyj II	450,000	16,424	23,400	3.6 %
SKF AB B	44,000	2,606	2,606	0.4 %
PLM AB	71,100	3,675	5,213	0.8 %
		103,441	209,026	32.0 %
<b>SMALL AND MEDIUM-SIZED LISTED COMPANIES</b>				
J. Tallberg Kiinteistöt Oyj B	335,000	12,362	12,362	1.9 %
Lännen Tehtaat plc	355,200	22,203	23,088	3.5 %
Incap Corp.	249,860	14,463	15,217	2.3 %
Kontram Yhtiöt Oyj	41,000	2,173	2,173	0.3 %
Tampereen Puhelin	100,000	5,290	5,290	0.8 %
Elektronikgruppen BK AB B	256,800	6,936	9,576	1.5 %
Dansk Industri Invest A/S	41,303	3,660	3,660	0.6 %
Aktiv Kapital ASA	560,000	8,257	8,257	1.3 %
		75,344	79,623	12.2 %
<b>NON-LISTED COMPANIES AND PRIVATE EQUITY FUNDS</b>				
Kuopion Puhelinyhdistys	3,259	25,109	25,109	3.9 %
Oulun Puhelin Oy A	1	20	20	0.0 %
Oulun Puhelin Oy B	1,904	7,563	7,563	1.2 %
Oy PC-Superstore Ab Ltd	66,667	7,620	7,620	1.2 %
Technopolis Oulu	600,000	10,200	10,200	1.6 %
Sponsor Fund I Ky		24,176	24,176	3.7 %
Blic International AB	254,310	13,259	13,259	2.0 %
TeleTrade Financial Services AB	447,500	701	701	0.1 %
		88,648	88,648	13.7 %
<b>OTHER NORDIC INVESTMENTS</b>				
Zenit Fond		19,841	34,287	5.2 %
<b>NON-NORDIC INVESTMENTS</b>				
Fidelity Indonesia Fund	391,236	6,944	6,944	1.1 %
Fidelity Korea Fund	392,362	8,320	10,271	1.6 %
MSCI Malaysia Opals	35,000	5,902	5,902	0.9 %
MSCI Philippines Opals	40,000	8,019	8,019	1.2 %
MSCI Singapore Opals	40,000	7,806	7,806	1.2 %
MSCI Thailand Opals	40,000	4,762	4,762	0.7 %
		41,753	43,704	6.7 %

STOCK INDEX OPTIONS, FOX	177	177	0.0 %
<b>Total current assets</b>	<b>329,204</b>	<b>455,465</b>	<b>69.8 %</b>
<b>Receivables</b>			
Sales receivable	10,668	10,668	1.6 %
Adjusting entries for assets	683	683	0.1 %
<b>Total receivables</b>	<b>11,351</b>	<b>11,351</b>	<b>1.7 %</b>
<b>Financial securities</b>			
Money-market investments	101,375	101,375	15.5 %
<b>Cash and bank</b>	<b>875</b>	<b>875</b>	<b>0.1 %</b>
<b>TOTAL CURRENT ASSETS</b>	<b>442,805</b>	<b>569,066</b>	<b>87,1 %</b>
<b>TOTAL ASSETS</b>	<b>526,933</b>	<b>653,194</b>	<b>100.0 %</b>

\*Non-listed shares and Neomarkka plc are valued to purchase price.



# *Report by the Board of Directors, January 1 - December 31, 1998*

## **NET ASSETS**

On December 31, 1998, the company's net asset value, taking into account the deferred tax on the unrealized increase in value of the securities portfolio, was FIM 107.72 per share (105.9 per share in the previous year). A dividend of FIM 6 per share was paid during 1998. This means a total increase of FIM 8.53 in net asset value, equivalent to 8.1% after taxes. Adjusted for dividend, the yield on a company B share during the year was -9.6%.

## **TURNOVER AND PROFIT**

Turnover in 1998 totalled FIM 425.1 million (FIM 359.2 million the previous year). Profit before taxes and appropriations was FIM 74.8 million (FIM 110.7 million). Net profit was FIM 53.9 million (FIM 81.2 million). Earnings per share before appropriations and taxes were FIM 14.64 (FIM 21.69). Earnings per share after taxes were FIM 10.55 (FIM 15.62).

## **EQUITY MARKETS**

The trend in Nordic equity markets was uneven, varying from country to country and significantly among sectors of industry. Helsinki Exchanges was the most successful of the Nordic exchanges; its HEX index rose 68.5%. Nokia accounted for 48.9% of the increase in this index and the price of a Nokia A share had increased by 220.4% during the year. The HEX portfolio index, in which Nokia is allowed to account for only ten percentage points, rose during the year by 15.0%. The A.B. Nordic, which depicts the overall trend in the Nordic countries, rose by 17.9%, while the Carnegie Small Cap index of small companies declined by 12.4%.

Finland/HEX index	68,5 %
Finland/HEX portfolio index	15,0 %
Sweden/General index	10,2 %
Norway/OBX index	-26,7 %
Denmark/KFX index	4,2 %

Strong growth in the economies of both Finland and Sweden and healthy corporate performance continued. Norway's economic problems caused by declining oil prices increased during the year. The favourable trend in the share prices of major Nordic companies compared with small companies, and the better performance of technology and telecommunications companies were significant during the year.

## **INVESTMENTS**

Norvestia continued its cautious investment strategy during the year. The trend in net asset value did not match that of Helsinki Exchanges, in which Nokia's contribution was great. Nevertheless, the trend in Norvestia's net asset value was better than that of small Nordic companies on average.

During the year, listed stocks accounted for a rather small proportion of the investment portfolio, due to hedging against falling equity prices. The smallest proportion was in the summer

and early autumn. The proportion of equities was increased during the autumn by focusing investments on Nordic blue chip companies whose share prices had fallen substantially. Investments in stocks and shares accounted for 82.6% of the company's investment funds at year end.

The proportion of non-listed investment was increased during the year and stood at FIM 87.9 million (FIM 26.9 million) at year end, or the equivalent of 13.7% (4.4%) of the investment funds. Non-listed investments were made in local telephone companies in Finland and in the IT sector. The new strategy was devised by Neomarkka plc, in which Norvestia has a substantial holding. Neomarkka has announced that it will focus its investments primarily on non-listed infrastructure companies. Neomarkka's investment accounted for 12.8% of Norvestia's assets at year end.

In 1998, Nokia's good yield also had a positive effect on Norvestia. A significant number of Nokia shares were sold during the year. At year end the value of the Nokia holding was FIM 90.5 million and a significant part of this investment was hedged. Thanks to hedging, Norvestia has secured a considerable increase in the value of its Nokia holding. Hedging on Nokia K shares was extended until January-March 1999.

## **NORVESTIA ACQUIRES A 24% HOLDING IN NEOMARKKA PLC**

At the end of September, Norvestia acquired 3.01% of the shares and 32.55% of the votes in Neomarkka plc (formerly Metsämarkka Oyj). By means of a tender offer, Norvestia acquired shares equivalent to 20% of equity in December 1998. At year end, Norvestia has 139,400 A shares and 1,300,394 B shares or the equivalent of 23.84% of Neomarkka's equity and 47.04% of its votes. Norvestia's investment totalled FIM 83.0 million (FIM 57.70/share). In the consolidated financial statements and the net asset value calculation, these shares are entered as investments in fixed assets and valued at the acquisition price to which Norvestia's share of Neomarkka's profit was added in accordance with the provisions on including affiliated companies in the consolidated accounts. Neomarkka's B share is quoted on Helsinki Exchanges' I list. Its market price at year end was FIM 40.50 and net asset value per share after the deferred tax value stood at FIM 56.79.

The Board of Directors of Neomarkka plc has decided on a new investment strategy whereby investments are sought primarily in stable infrastructure sectors, for example utilities. These sectors include telephone companies, municipal energy companies and water and sewage companies. Most of the investments will comprise minority holdings in non-listed Nordic companies, with the emphasis on Finland. The company has begun to implement its new investment strategy and acquired holdings in telephone companies, among others.



## EQUITY PORTFOLIO

Market value of the company's investments in securities as percentages:

	1998	1997
- Neomarkka plc and other fixed assets	12.9 %	0.1 %
- major listed companies	32.0 %	28.0 %
- small and medium-sized listed companies	12.2 %	23.7 %
- non-listed companies and private equity funds	13.7 %	4.4 %
- other Nordic investments	5.2 %	3.2 %
- non-Nordic investments	6.7 %	-
- current assets	17.3 %	41.2 %
- other assets	0.0 %	-0.6 %

On December 31, 1998, the book value of Norvestia's securities was FIM 430.6 million (FIM 463.2m), while the market value was FIM 556.8 million (FIM 603.8m).

## LIQUIDITY AND SOLVENCY

Liquid assets totalled FIM 102.2 million at year end (FIM 248.7m), solvency being 87.1% (93.4%). Equity capital totalled FIM 459.1 million (FIM 435.8m). Norvestia's commitment to invest a further FIM 16.9 million in Sponsor Fund Ky was entered under liabilities.

## PERSONNEL

In 1998, Norvestia's personnel comprised an average of 10 (8) employees in Helsinki and in Sweden, including both part-time and full-time employees.

The Board of Directors has decided on the Company's bonus scheme for 1999, which will be the same as in the previous year. According to the scheme, 15 per cent of any surplus will be distributed to employees as bonuses. 'Surplus' means net growth exceeding the HEX index yield by a given margin. No bonuses were paid for 1998.

## INVESTMENTS

Net investments totalled FIM 83.7 million in 1998 (FIM 0.1m); Neomarkka's share of this was FIM 83.0 million. Other investments were mostly computer acquisitions.

## CHANGES IN OWNERSHIP

In June 1998, Pension Varma Mutual Insurance Company transferred its 50% holding in Nova Life Insurance Company Ltd to Sampo Pension Insurance Company Ltd (Varma-Sampo Mutual Pension Insurance Company). Sampo Life Insurance Company Ltd (formerly Nova Life Insurance Company Ltd) had a 13.2% holding of share capital (15.16%) and 8.97% of votes (9.91%).

In November 1998, Strongbox Oy, a subsidiary of the Havsfrun Group, sold its Norvestia shares to Havsfrun S.A., Luxembourg, another fully-owned subsidiary of AB Havsfrun. At year end, the Havsfrun Group had a 23.50% holding of share capital and 49.96% of votes.

## BOARD OF DIRECTORS, AUDITORS AND THE MANAGING DIRECTOR

The annual general meeting elected the following members of the Board and auditors for a new term on March 31, 1998.

### Re-elected:

Tom Schubert, chairman  
Professor Olle Isaksson, deputy chairman  
Ralf Lehtonen, member  
Professor Jarmo Leppiniemi, member  
Claes Werkell, member  
Esa Raitanen, deputy member

### New members:

Michael Frie, member  
Pentti Mansukoski, member  
Oscar von Sydow, deputy member

### Auditors:

Wilhelm Holmberg, Authorized Public Accountant, auditor  
Carl Gustaf af Hällström, Authorized Public Accountant, auditor  
Oy Ernst & Young, deputy auditor

The Managing Director in 1998 was Timo Löyttyniemi.

## DIVIDEND POLICY

Norvestia's Board of Directors seeks to enable the company to distribute a stable dividend which exceeds the average dividend distributed on the Finnish stock market. On average, the company distributes one half of profits entered as income.

## PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The Board proposes that FIM 30.6 million (FIM 30.6m) of the parent company's non-restricted equity capital according to the balance sheet be distributed as dividend, i.e. FIM 6.0 per share (FIM 6.0 per share).

## INTRODUCTION OF THE EURO

At the beginning of 1999, Helsinki Exchanges started to quote share prices in euros. Norvestia's 1998 financial statements and key figures and 1999 interim reports will be published in both euros and Finnish markkas.

## PREPARATIONS FOR THE YEAR 2000

The only internal information system that is crucial to Norvestia's operations is its bookkeeping system, although computer work is an integral part of the personnel's everyday routines. Any additional costs or disturbances incurred from short-term interruptions in computer operations or external systems such as telephone and fax lines or Internet connections should be negligible.

The bookkeeping software used by Norvestia is promptly upgraded, and the latest version of the asset management

software is year 2000 compatible. The risk of system failure is therefore expected to be minimal. Should any disturbances occur, the company can resort to backup systems at short notice.

#### **OUTLOOK**

Norvestia invests mainly in the stocks of listed and non-listed Nordic companies. The primary aim is to achieve clear profit for its shareholders at reasonable risk. In 1998, the company's risk level was below the stock market average.

Norvestia seeks to grasp the opportunities provided by the changing investment environment. It will also actively continue its operations related to non-listed companies and investments. The company's result is affected by changes in the stock market, for instance.

Although fluctuations in the stock market are expected to continue, the company should be able to pursue this strategy.

## *Consolidated profit and loss account*

	Jan 1 - Dec 31 1998 FIM	Jan 1 - Dec 31 1997 FIM	Jan 1 - Dec 31 1998 EUR	Jan 1 - Dec 31 1997 EUR
NET TURNOVER	425 135 359,78	359 204 789,36	71 502 634,63	60 413 908,70
Other operating income	0,00	750 000,00	0,00	126 140,94
Purchases of securities	-452 091 982,79	-259 402 153,96	-76 036 413,16	-43 628 310,39
Change in stock	113 585 953,28	19 668 537,26	19 103 785,96	3 308 010,50
Personnel expenses	-4 539 203,88	-3 967 134,58	-763 439,29	-667 224,14
Planned depreciation	-206 175,43	-200 954,72	-34 676,22	-33 798,16
Other operating charges	-7 430 466,65	-5 946 389,35	-1 249 714,78	-1 000 110,89
<b>OPERATING PROFIT</b>	<b>74 453 484,31</b>	<b>110 106 694,01</b>	<b>12 522 177,14</b>	<b>18 518 616,56</b>
Income from participations	536 616,00	0,00	90 252,33	0,00
Financial income and expenses	-232 238,42	613 676,13	-39 059,70	103 212,92
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	<b>74 757 861,89</b>	<b>110 720 370,14</b>	<b>12 573 369,78</b>	<b>18 621 829,47</b>
Decrease in provisions	0,00	1 950 000,00	0,00	327 966,46
Income taxes	-20 877 663,00	-31 441 759,00	-3 511 370,85	-5 288 124,25
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>53 880 198,89</b>	<b>81 228 611,14</b>	<b>9 061 998,93</b>	<b>13 661 671,68</b>

## Consolidated balance sheet

	Dec 31 1998 FIM	Dec 31 1997 FIM	Dec 31 1998 EUR	Dec 31 1997 EUR
<b>Assets</b>				
NON-CURRENT ASSETS				
Intangible assets	68 320,00	53 680,00	11 490,60	9 028,33
Tangible assets	291 723,05	406 267,68	49 064,29	68 329,32
Investments	83 767 815,40	213 650,00	14 088 735,18	35 933,35
	84 127 858,45	673 597,68	14 149 290,07	113 291,00
CURRENT ASSETS				
Stocks	329 203 508,56	215 617 555,28	55 368 055,49	36 264 269,53
Current trade receivables	10 667 967,54	682 504,48	1 794 223,34	114 789,01
Current prepayments and accrued income	683 772,64	816 138,16	115 002,30	137 264,58
Investments	101 374 864,22	247 553 753,06	17 050 028,21	41 635 552,41
Cash in hand and at banks	874 682,02	1 109 539,72	147 110,96	186 611,18
	442 804 794,98	465 779 490,70	74 474 420,29	78 338 486,73
	526 932 653,43	466 453 088,38	88 623 710,37	78 451 777,73
<b>Liabilities and shareholders' equity</b>				
SHAREHOLDERS' EQUITY				
Restricted shareholders' equity	105 608 400,00	105 608 400,00	17 762 057,81	17 762 057,81
Premium fund	51 671 525,00	51 671 525,00	8 690 526,65	8 690 526,65
Retained earnings	247 898 242,65	197 251 816,91	41 693 491,40	33 175 374,08
Profit for the financial year	53 880 198,89	81 228 611,14	9 061 998,93	13 661 671,68
	459 058 366,54	435 760 353,05	77 208 074,79	73 289 630,21
LIABILITIES				
Accounts payable	10 562 912,33	387 121,72	1 776 554,32	65 109,20
Other short-term creditors	38 879 531,04	11 811 835,88	6 539 067,71	1 986 608,18
Accruals and deferred income	18 431 843,52	18 493 777,73	3 100 013,54	3 110 430,13
	67 874 286,89	30 692 735,33	11 415 635,57	5 162 147,51
	526 932 653,43	466 453 088,38	88 623 710,37	78 451 777,73

## *Source and application of funds*

	Jan 1 - Dec 31 1998 FIM	Jan 1 - Dec 31 1997 FIM	Jan 1 - Dec 31 1998 EUR	Jan 1 - Dec 31 1997 EUR
<b>SOURCE OF FUNDS</b>				
Cash flow				
Operating profit	74 453 484,31	110 106 694,01	12 522 177,14	18 518 616,56
Planned depreciation	206 175,43	200 954,72	34 676,22	33 798,16
Financial items	304 377,58	613 676,13	51 192,63	103 212,92
Taxes	-20 877 663,00	-31 441 759,00	-3 511 370,85	-5 288 124,25
Source of funds, total	54 086 374,32	79 479 565,86	9 096 675,15	13 367 503,38
<b>CAPITAL FINANCING</b>				
Dividends not redeemed	50 934,60	24 423,60	8 566,58	4 107,75
<b>APPLICATION OF FUNDS</b>				
Dividend distributed	-30 633 120,00	-31 682 520,00	-5 152 120,93	-5 328 617,34
Own shares redeemed	0,00	-16 259 066,86	0,00	-2 734 578,74
Net investment in fixed assets	-83 660 436,20	-90 344,90	-14 070 675,29	-15 194,92
Application of funds, total	-114 293 556,20	-48 031 931,76	-19 222 796,23	-8 078 391,01
CHANGE IN NET WORKING CAPITAL	-60 156 247,28	31 472 057,70	-10 117 554,49	5 293 220,13
<b>ITEMIZATION OF CHANGE IN NET WORKING CAPITAL</b>				
Liquid assets	-136 560 649,00	5 701 592,74	-22 967 852,39	958 939,06
Current assets	113 585 953,28	19 668 536,78	19 103 785,96	3 308 010,42
Short-term liabilities	-37 181 551,56	6 101 928,18	-6 253 488,06	1 026 270,65
	-60 156 247,28	31 472 057,70	-10 117 554,49	5 293 220,13



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